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Anita Sorsa

# BUSINESS PLAN FOR ROBO GYM

– Establishment of a new company and creating a competitive advantage



TURUN AMMATTIKORKEAKOULU  
TURKU UNIVERSITY OF APPLIED SCIENCES

Anita Sorsa

## BUSINESS PLAN FOR ROBO GYM

Establishment of a new company is a multidimensional process. Basically, anyone can become an entrepreneur, but practically, entrepreneurship is a challenge which requires know-how, motivation, good luck, and obviously, a successful business idea. A good business plan is essential in order to make the business succeed. A realistic plan also helps to concretize the business operations and to find the best solutions for performing them. A business plan includes customer segmentation, competitor analysis, financial plans, as well as planning of marketing methods.

My thesis observes the requirements of establishment of a new company, as well as the phases of the establishment process from creation of a business idea to making a competitor analysis. My future goal is to establish an own business, which is why I have created a fictional business plan for my own gym. I also observed the competitive environment of Rovaniemi area from a gym owner's point of view, and considered options to stand out from the crowd.

### KEYWORDS:

Business

Entrepreneurship

Business plan

Marketing

Anita Sorsa

## KUNTOSALI ROBON TOIMINTASUUNNITELMA

Uuden yrityksen perustaminen on moniulotteinen prosessi. Periaatteessa kenestä tahansa voi tulla yrittäjä, mutta käytännössä yrittäjyys on haaste, josta selviämiseen tarvitaan osaamista, motivaatiota, onnea, sekä tietenkin kannattava liikeidea. Hyvä liiketoimintasuunnitelma on perusta yrityksen onnistumiselle, ja realistinen suunnitelma helpottaa myös yrityksen toiminnan konkretisointia ja parhaiden toimintavaihtoehtojen löytymistä. Liiketoimintasuunnitelmaan kuuluu muun muassa asiakaskunnan määrittely, kilpailija-analyysi, talouslaskelmia, sekä markkinointimenetelmien suunnittelu.

Opinnäytetyöni tarkastelee yrityksen perustamisen vaatimuksia sekä perustamisprosessin vaiheita liikeidean syntymisestä kilpailija-analyysiin. Tulevaisuuden uratavoitteeni on oman yrityksen perustaminen, minkä vuoksi olen luonut alustavan toimintasuunnitelman kuvitteelliselle kuntosalilleni. Tarkastelin myös Rovaniemen tämänhetkistä kilpailutilannetta kuntosalien osalta, ja pohdin keinoja erottua olemassa olevien yritysten joukosta.

### ASIASANAT:

Talous      Yrittäjyys      Toimintasuunnitelma      Markkinointi

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## **LIST OF ABBREVIATIONS (OR) SYMBOLS**

VAT	Value Added Tax
B2C	Business-to-consumer
B2B	Business-to-business

# 1 INTRODUCTION

Ever since I decided to apply into Turku University of Applied Sciences to study international business management, I have been interested in entrepreneurship and running an own business. I even mentioned it during the entrance exam process; although, at that time I thought I would run a cafeteria or a hotel. During the last four years I have spent more and more time doing sports, for example, playing volleyball and coaching younger players. I graduated from sports orientated upper secondary school, but never considered the possibility of getting a career on sports industry. In 2010 I studied four months at Eerikkilä Sports Institute (the basic course of sport instruction), and after the course I knew what I want to do with my life.

In spring 2011 I applied into Rovaniemi University of Applied Sciences to study sport and leisure management. I passed the entrance exam, and began my studies in September 2011. I have been asked numberless times, why I “changed my field of study.” I always answer the same way: “I did not; I want to combine the two degrees.” My current goal is to establish an own gym.

At the beginning of 2011, the idea of writing my thesis and graduating from Turku University of Applied Sciences was distressing; I had not even chosen the topic for my work. During the summer I realised something important: for most students, the thesis is sort of an end of one era in their lives, but for me it could be the beginning of the rest of my life and career. I decided to write an action plan for my own gym.

In the thesis, I do not introduce a lot of new information or comprehensive research results about the profitability of a private gym. Instead, I will gather concrete information concerning establishment of a new company: for example, how to create a business idea, what permissions are needed in order to make the business legal, and where to get finances for a new company. I also consider my own experiences and characteristics, and which of them will help me to become a successful entrepreneur. The potential target market is being

discussed, as well as competitive advantages. As we know, people are more and more interested in their own health, and the competition is really hard in welfare sector. What kind of people I would like my gym to appeal, and how to reach them?

The chapter two of the thesis discusses the facts concerning the establishment of a new company in general, whereas the chapter four concentrates on planning my own gym called *RoBo* (a short for Rock Your Body).

All the information in the thesis is from secondary resources: books, websites. As mentioned, the purpose of this piece of work is to gather basic information on starting a company, as well as to consider my own facilities to start an own business. The purpose is not to create new information, as for me it is more important to be aware of the existing information. The more accurate and concrete business plan is something I can create in the future with the current information, after making the final decisions on location, company form and other essential factors.

The research questions of the thesis are:

- What are the main phases of establishment of a gym?
- How to create a competitive advantage in gym business?



## 2 ESTABLISHMENT OF A NEW COMPANY

There are several reasons for one to start an own business. The reasons can be either positive or forcing; for example, one can either have a perfect idea for business, or be threatened by unemployment. Anyhow, usually entrepreneurship is a process that has been planned for a long time, and under certain circumstances the ideas become a concrete plan. (Holopainen 2003, 21)

In general, a company can be established from two types of motives. There may be a market-based motive behind a business idea, if there clearly is some product or service missing from the markets. It is a common phenomenon that an old, successful business idea is transferred to new location and market area (Rissanen 2004, 228). For example, a Finn can be on a vacation in USA, and find a popular cafeteria where the waiters wear roller skates. The Finn wants to find out, whether the idea would work in Finland as well, and later he establishes a similar café to his hometown. A market-based motive can also mean that the amount of the demand of a product or service exceeds the supply.

As an opposite to market-pull motives, there may be (and usually, there are) personal reasons for someone to start a company. These reasons can be based, for example, on the person's know-how, interests or education. In my opinion, these individual reasons are essential in order to be able to run a long-standing business, even when a company is established from market-based reasons.

Establishing a new company is not the only way to become an entrepreneur. One can also buy an existing company, or for example, continue running a family business. It is also possible to become an entrepreneur through franchising. In Finland, a popular franchising company is R-kioski, and the concept is commonly used by, for example, fast food restaurants. The franchisor offers chosen locations where a new branch can be opened, or a person can suggest a new one. He receives a operational model, education and

support to run the business, but is practically the boss for himself. The best part of franchising is the fact that the business model has already been tested, opening a new branch is quick, consumers know the brand, and one receives support from the franchisor. On the other hand, the entrepreneur has to pay fees to franchisor, and he has to run the business according to the instructions.

## 2.1 Entrepreneurship in Finland

In 1996, 15 years ago, there were 182 015 companies in Finland. By 2009, the number had risen to 266 157 companies (Yrittäjyyskatsaus 2010 in Raatikainen 2011, 13). Despite the fact that 15 years ago Finland was still recovering from the economic depression of the early 90's, it can be said that the amount of businesses has risen remarkably. Entrepreneurship has become more familiar to citizens, and many have realised that anyone with a good business idea may become an entrepreneur.

Establishment a new company is a process that usually requires participation from several factors; not many a entrepreneur is able to start a business without support. The support can be either financial or informative, for example, education or advice from another entrepreneur (for example, mentor activity). Also, through organisations an entrepreneur is able to become a part of business networks, which may make running a business easier in the future. It is worth noticing that some of the support may only be given to full-time entrepreneurs.

As a concept, entrepreneurship has received more positive image than earlier. The image is constantly under improvement by Finnish society, as entrepreneurs are supported in many ways in our country. Currently, there are several development plans in order to offer advice to existing companies, as well as to encourage people to start new businesses (Raatikainen 2011, 8). On the other hand, the organizations and other support systems will not do the work on behalf of an entrepreneur, so he has to have his own motives in order

to run a business. In this matter, I agree with Mika Anttonen (in Lyytinen & Piha 2004, 32); Anttonen for example suggests that it is unreasonable to require an unemployed to become a successful entrepreneur, if the only reason for it is a try to get him a job.

Female entrepreneurs receive support e.g. from Women's Entrepreneur Agency. The organization has been established in 1996, and it organizes courses, mentoring activities and networking events for female entrepreneurs. In case of problems and questions, there are several organizations and other quarters a Finnish entrepreneur can turn to. Regarding questions of entrepreneurship in general, some of the answers can be found from Employment and Economic Development Offices (most cities have their own offices), Finnish Enterprise Agencies and Centre for Economic Development, Transport and the Environment. In case of financial problems, for example banks, Finnvera and special credit institutions offer advice.

In order to be able to develop fast enough and to stay aware of the competitors' operations, it is important to follow the development of one's own business sector. Even though an entrepreneur can receive support from the sectors mentioned above, it is one's own responsibility to follow the development, and find solutions to problems.

As mentioned earlier, the main purpose of every company is to make profit; some companies are willing to optimize the amount of profit, and some others only want to earn living. What all the companies have in common is the fact that starting the business requires money. In most cases, external support is essential. Financial support can be asked from banks (loans), capital investors, business angels, and other quarters, but usually also the entrepreneur has to invest in his own company (Finnish Enterprise Agencies 2011, 10).

Before an entrepreneur can request a bank loan, there should be calculations concerning the expenses and income. It should be estimated, how much money an average customer brings (or should bring) to the company, and then calculate, whether it is possible to make profit with the predicted amount of

customers. At this phase, an entrepreneur should know the amount of fixed costs, which include rent, insurance costs, salaries, and so on.

## 2.2 Planning a business

### 2.2.1 Business idea

Every business starts from a business idea, which can be a result from a new invention or be based on an entrepreneur's own know-how (Raatikainen 2011, 38). Before a company is established, one should consider, whether the idea really is something one can make profit with. It takes more than a new idea to establish a company. The business idea has to be good enough, timing has to be right, and customers have to benefit from the idea. A business idea also includes a company's future goal and vision; why the company should be established?

Before starting a new business, it is vital to be aware what the served product or service actually is, for what needs it is created for, who are the potential customers, and how the product or service can be delivered to them. It would also be good to consider, whether the need for the product or service is continuous or seasonal, how big the demand currently is, and does the success of the company require changes in consuming habits. Even though some new product would make people's lives easier, it is possible that they replace the product with something else, because they have used to doing so.

The business idea can be planned in practice with an operational model (Raatikainen 2011, 62 and Holopainen 2003, 31), which will be introduced in the chapter 4.2.1. The model includes a vision from the following sectors: a benefit for a customer, an image of the company, target customers, services, and business operations. The model offers a possibility to think about the business as a whole; there are not companies, which success with only a good business idea.

### 2.2.2 Business plan

After the idea for a new business has been figured out, an entrepreneur should begin to plan the other parts of business. Also in this phase, it is important to keep in mind the product or service one wants to offer, and to try make as realistic plan as possible. Now it is time to do a research on competitors within the planned business sector, and to get to know their operations; which company's services are your potential customers currently using?

A business plan is a tool that helps an entrepreneur to remember, how multidimensional it is to create a new company. Although, according to Rissanen (2004, 219), a concrete business plan does not have to be long and detailed; for example, a potential business partner is bound to appreciate a few-page business plan, as it gives a realistic image of your company better than only a discussion. A business plan offers information on your company's purposes and goals, and by writing them down, they are easier to keep in mind while planning the business. As an example, a business plan could follow this type of a structure (Raatikainen 2011, 42):

- ❖ A front page with the name of the company, a logo, the business idea briefly (with one sentence), and the name of the creator of the plan
- ❖ Owner's background and know-how
- ❖ Business idea
- ❖ Company form and name
- ❖ Markets and competitors
  - customer and competitor analysis, pricing, location etc
- ❖ Risk analysis, staff requirements
- ❖ Finance
- ❖ Calculations

- investments, capital, estimated returns, budget, cash flow statements, profitability calculations
- ❖ Documents on establishment
- ❖ Estimation on the business, future visions

### 2.2.3 Starting point and goal analysis

Presumably, for the majority of new entrepreneurs, the ultimate goal when starting a business is still be operating after a couple of years (unless the business is seasonal or otherwise short-term). This requires that the company will make profit, as usually a company does not receive much of financial support after the establishment phase. Obviously, the goal also depends on the type of business; a small business owner usually wishes to earn living for him, whereas a shareholder of an incorporated company would like to make as much profit as possible. Anyhow, it is worth considering, which are the points of departure in case of one's own company, and also, where you wish your company will be in the near future. From another point of view, one should consider, which business operations one is able to perform without external help, and on the other hand, should some operations be outsourced. A starting point analysis differs from a business plan: the analysis should consider the internal and external environment of one's company more carefully; what can one do well, and in which parts of business are one's competitors strong?

As a tool of analysing a company's environment, one can use SWOT analysis (figure 1.) created by Albert Humphrey. The method takes both internal and external factors into consideration, as well as positive and negative impacts of them.

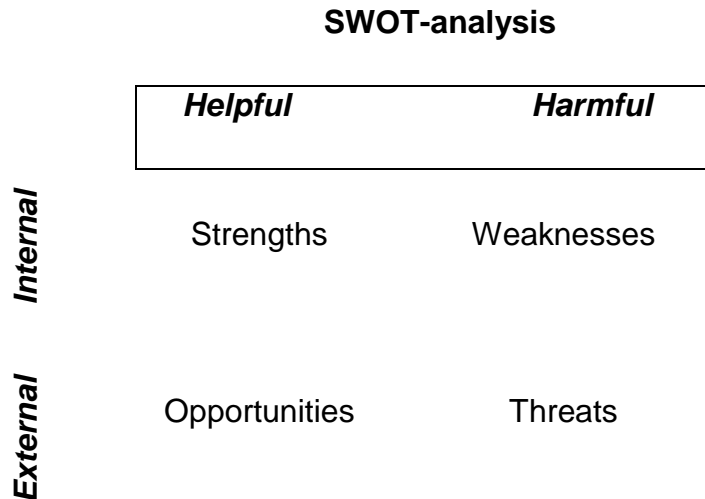


Figure 1. SWOT-analysis model

Strengths and weaknesses should describe the internal qualifications of one's company, whereas opportunities and threats are factors from external environment. Internal factors include, for example, the entrepreneur's know-how and financial issues, while external environment concerns the competitors, customer behavior and so on. Weaknesses and threats are also considered as harmful facts for business, but an entrepreneur should try to consider them as challenges, and take the advantage from the risks, as well.

#### 2.2.4 Characteristics of an entrepreneur

As people in general, all the entrepreneurs are different types of personalities with their own dispositions and experiences. Anyhow, there are some characteristics that are required from a business owner, and lack of which may make running a company more difficult, or even impossible. It depends on the size of a company, which characteristics are required, as well as a person's position within a company (e.g. is someone a sole trader, or a member of group establishing a company). What creates a company more credible is the fact that the personality of the owner matches with the company image (Raatikainen 2011, 95); for example, a gym owner should be in a good physical condition.



An adjective that describes (or should describe) all the entrepreneurs, is hard-working. In order to make an idea into a successful business, one has to be ready to work for it. At the same time it should be realized that the hard work is not always enough, the risk only has to be taken. Lyytinen and Piha (2004) have collected entrepreneurs' opinions on the vital characteristics when running an own business. Many of them agree that an entrepreneur should be patient, humble, professional in one's own business, and willing to develop. Also, it is important to be optimistic, especially in the beginning, and to trust one's own business idea. An entrepreneur should enjoy being the boss for oneself, but also to be prepared for the fact that one cannot always leave the workplace at 4 pm.

If one offers services instead of concrete products, it is essential to be social and empathetic. Obviously, in any sector of business it is important to understand the customer needs and to be social, as service is a major part of the customer experience. When a company sells a service, the experience is also part of the final product, which makes the level of service and staff members' professional skills more important; a customer can be satisfied with a concrete product even though the level of service would have been low.

After all, the most important thing is the passion towards one's own work and company; one can always develop, and everything does not have to be known in the beginning. What is important is the willingness to learn.

## 2.3 Establishment

### 2.3.1 Company form

There are factors which affect the decision of choosing the right company form. The most important ones are the amount of shareholders, and the need of capital. For a new company, there is usually more than only a one realistic option for a company form; it has to be carefully consider, which of the options are the most suitable for your company. In the following table (table 1) the company forms are briefly introduced.

Nowadays, the most common company form in Finland is limited company. In 2008, 46 percent of all the companies were limited companies; limited company is a common form even if the business is small, or unrepeated. 41 percent of the companies are sole traders. (Raatikainen 2011, 14)

Form	Amount of share holders	Applicability for a new entrepreneur	Pros/cons	Other
A sole trader	1	Excellent	+ easy to establish, the lowest amount of paperwork + all the profit belongs to the entrepreneur + easy to expand or switch to another form - whole responsibility - a lot of work	* a common company form for young entrepreneurs * f.ex. hairdressers, masseurs, car mechanics

Form	Amount of share holders	Applicability for a new entrepreneur	Pros/cons	Other
General partnership	2 or more	Good	<p>+ every partner take part to all the activities</p> <p>+ work and responsibilities are divided between the partners</p> <p>- the business is most likely to suffer, if there is distrust between partners</p>	<p>* a good form for family businesses</p> <p>* trust between partners is essential</p>
Limited partnership	<p>1+1 or more</p> <p>(minimum of one responsible and one silent)</p>	Good	<p>+ the responsibility is shared according to the position in the company</p> <p>- the founder is in charge for all liabilities</p>	<p>* silent partners cannot lose more than the amount of their investment</p>

Form	Amount of share holders	Applicability for a new entrepreneur	Pros/cons	Other
Private/public limited company	1 or more  Can also be a juridical founder, f.ex. a city	Poor	+ a person can own a share of a big company  - establishment requires own capital  - a possibility of losing one's own investment	* a share can be transferred for another quarter without other shareholders' permission
Cooperative	1<  Is owned by the members of a cooperative	Poor	+ expenses are shared between founders  - is practically an association	* the main focus is not in optimizing the profit but creating benefits for the members of a cooperative

*Table 1. Comparison of different company forms. (Adapted from Surakka 2005, 86-91)*

As mentioned, there is usually more than one suitable option for a new company. It depends on the agreements, how the shares and responsibilities are divided within a company, and this division affects the choice of company form. For a new entrepreneur, it may be good to discuss the options with a professional; at the same time one can find out, which are the required permissions for the chosen type of business.

### 2.3.2 Permissions

In order to make the business legal, there are few permissions an entrepreneur needs. The amount of the permissions depends on the business form one has chosen, but more or less, the needed permissions are the same.

In Finland, there is a concept of freedom of trade. According to this principle, a person living within the European economic area is allowed to run a business that is legal and businesslike. In some sectors, these rights are limited, but running a gym does not include to them; it is so called unlicensed trade. Some of the sectors in which the special permission is needed, are driving schools, retail sales of alcohol, and taxi traffic. (Holopainen 2003, 297)

Obviously, despite the freedom of trade, there are permissions one has to get before starting a business. In most cases, the juridical establishment requires a start-up notification. According to Holopainen (2003, 249), a new company has to sign up for trade register, VAT register, prepayment register and the register of employers. These announcements have to be sent to the National Board of Patents and Registration and the Tax Administration.

The name of a company has to be unique. It cannot be confusing (for example, be too similar with another company or give a wrong image from the company's business operations) or insulting. Names which are already in use can be checked from the website of the National Board of Patents and Registration [www.ytj.fi](http://www.ytj.fi).

Most of the companies need to recruit other employees in order to run the business. When an employee is hired, he has to sign a contract together with the employer; a contract includes information on the salary, working hours, length of the employment and the responsibilities of the employee. An employer also has to take care of the insurances, pension provisions, social security contribution and occupational health services (Raatikainen 2011, 109). Also, other insurances should be taken care of.

### 2.3.3 Business operations

After a company has taken care of the required documents, it has to consider, how to organize the business operations. This chapter discusses the most important factors of accounting, logistics and recruitment.

According to Finnish accounting act, every business has to do accounting (Leppiniemi 2003, 13). An entrepreneur should decide in the beginning of the business, how to organise the accounting. In many cases, it is worth hiring a professional to take care of it, especially if the entrepreneur does not have experience or education in accounting. It is recommended that a company has its own bank account; in some cases, a company can use the owner's bank account. In this situation, accounting has to be supervised very carefully with documents and balancing the bank account. A basic requirement is that the income, costs, funds and debts has to keep separated from the owners' finance.

A company should report its financial activities monthly in a financial statement, which is supposed to give information on the result and economic position of a company. A financial statement includes the following parts: profit and loss statement, balance sheet and attached files. Financial statements are usually public. (Leppiniemi 2003; 49, 195).

In case of establishment of a gym, logistics include, for example, questions on purchasing the equipment. If a company wants to buy all the equipment, the budget has to be really large. Usually, a more realistic option is to get the

equipment through leasing; which means a long-term rental. Obviously, smaller equipment can be bought, and some products will be supplied at regular intervals. A company should find out the potential suppliers, and to decide, with whom they would like to do co-operation.

Recruitment is a vital process in the establishment phase of a company, as the staff members are a major part of the image that a consumer receives when he uses services of the company. This is why recruitment can sometimes be hard. The quality of service is a part of the whole service product, which is why the staff members of a company should be professional. On the other hand, only the know-how of the employees is not enough. It is also important that the know-how can be delivered to the customer through the right methods and equipment; this basically includes the whole work environment, from the premises to the offered services, and to the personality of employees.

## 2.4 Risk analysis

Every business has risks, which mean either a threat of damage or loss. The damage can apply to customers, employees, or to the property. The easiest way to take care of the risks is to avoid them through anticipation. This requires the recognition of the risks, and evaluation of the probability of them. Obviously, some of the risks are more probable than the others, and careful planning in advance will help a company to survive from many of them. It is also important to have valid insurances; even though they do not prevent damages, with the financial help of insurances it is easier and cheaper to fix them. Some of the insurances are compulsory for a company.

Raatikainen (2011, 102) suggests the following classification of the types of risks:

- ❖ Business risks
  - delayed deliveries, strikes, technical difficulties
- ❖ Property damages
  - fire, flood, collapse and other accidents
- ❖ Crimes
  - burglary, sabotage, cyber crimes
- ❖ Personnel risks
  - sickness, accidents, retirement
- ❖ Claims for damages
- ❖ Damages due to actions of the company itself, its suppliers or regulatory provisions

As mentioned, most of these risks cannot be avoided, even though the possibility of them is considered. For example, sabotage is possible even if a company would have proper alarm systems; the crime cannot be prevented, but the offender is easier to catch. On the other hand, it is usually not worth hiring a security guard, but the risk only has to be lived with. What is most important is



to try to avoid the personnel risks, as they are usually the ones which are hardest to replace. The main risks in a gym business are discussed in the chapter 4.3.

## 2.5 Marketing

Effective marketing is essential for a new company in the beginning of the business. What is more important, is to make the customers come again, and to create long-term customer relationships. This chapter discusses business to consumer marketing instead of business to business marketing, due to the type of business under discussion.

Marketing is not only an “active” process, but it happens constantly as the business is running. For example, the behaviour and appearance of staff members is a big part of customers’ experiences; if a customer receives friendly service from a professional gym instructor, he or she is likely to tell about it to the others, and the other way, as well. This phenomenon is known as “word of mouth”. According to so called 3/11 rule (Lahtinen & Isoviita 2001, 9), an average customer tells from a low level of service to 11 people and from a good service to 3 people. It is important to keep the customers satisfied, as a company may not receive a chance to serve an unhappy customer again.

Before a company can do effective marketing, it has to know, to whom the business should be marketed. In other words, a company has to decide their target customers through customer analysis, and then find out, how to reach them effectively. If the target group is too wide and a company tries to market their business with every possible method, the marketing process is bound to require too much time and money, which leaves fewer resources for the rest of the business operations. After the target customers have been identified, a company can begin considering on the most effective marketing methods.

In addition to customer analysis, a company should also be aware of its competitors operations, including their marketing techniques. Already the marketing methods are a way for a company to differ from the competitors, and, for example, to share inform on the services their competitors do not offer. As mentioned earlier, the timing of establishing a new company is a major factor for its success. Due to this reason, it should be known whether there are other similar businesses coming to the markets in the near future.

### 2.5.1 Customer analysis

When the final product or service has been chosen, it should also be considered, who will benefit the most from it. This process is called customer segmentation; in other words, a company chooses, to whom the marketing is targeted. The segmentation can be based on geographic (location), demographic (f.ex. age, occupation), psychographic (interests) or behavioralistic (loyalty for certain companies or brands) reasons (University of Bolton, 2009). These methods of segmentation can also be combined, when a company wants to limit its target group. After the segmentation process it is easier to consider the best way to reach these customers.

Customer analysis also includes research on the total amount of potential customers in a company's area, as well as the amount of current competitors; how is the need of one's product or service satisfied at the moment? If there already are a lot of companies offering the same product, it should be considered if some of them are ready to switch the supplier of the product; are the consumers unhappy with prices, the quality of product, or to something else? An entrepreneur can also find out, whether customers are willing or capable to invest more money to these type of products or services, and how much money in general are spent to them. These are some of the questions that should be answered before establishment of a new company. (Raatikainen 2011, 86).

According to Porter (1984, 141), there are differences in the needs of customers of the same products, as their expectations differ from each others'. Some of the customers are satisfied with lower level of service than the others, and are still willing to pay the same price. In many cases this problem is solved by setting a certain price level and offering the best possible quality; those who are unsatisfied usually find another supplier from whom to buy the products or services.

### 2.5.2 Competitor analysis

A major part of planning a business is to find out the competitors of one's market area. A competitor analysis consists of the amount of competitors, their market shares, strengths and weaknesses, and the development in competition during last years. It can also be estimated, how the competition will change in the near future, for example, are there more businesses coming to the markets, or will there be changes in the amount of customers. An entrepreneur should also get to know to the business and marketing strategies of competitors, and to find out, what are their plans and future goals. Some of the companies are satisfied with their current situation, whereas some of them will increase their market share in order to gain more profit.

After an entrepreneur has gathered information on competitors, he should define or estimate his own company's position in the market area. Is the goal to become the most successful company, or is a smaller market share enough? However, it is most important to consider, how to collect the own customer base from the area, where already are companies who offer the same product or service. A new company can try to appeal new consumers of the service, or try to make their service differ from the competitors'. This phenomenon is called product differentiation, which is discussed in the next chapter 2.5.3.

### 2.5.3 Competitive advantage

Competitive advantage can be found by combining a company's strengths and opportunities, and to compare them to the competitors'. The advantage can also be created through product differentiation, which means that a business owner has to find a way to stand out from the crowd. These methods can be created by lower price level, the level of service, as well as by a quality and uniqueness of the product. The competitive advantage is also possible to find by using different marketing methods than the competitors; for example, an impressive marketing campaign can appeal to the right customers, and

advertising in the right type of media only reaches certain type of people. Also, according to Porter (1984, 29), the companies with steady position in the markets enjoy customer loyalty and their products and services are known, due to earlier business operations.

For a new company it may be impossible to create competitive advantage through low price level. The companies with many years of operations behind them have stabilized income and can afford to have a reasonable price level. Also, their expenses are usually lower than in new companies, as the employees have become more effective through experience, and they have followed the development within the industry for several years and are able to adapt to the changes without major efforts.

If the competition advantage is created through product differentiation, one of the main concerns is the fact that the price level rises too high; in this case, customers are likely to choose a cheaper product. In other words, a company should estimate the expenses of product differentiation, and then decide, whether it is profitable. There is also a risk that one's business idea will be copied, especially, if it is successful. A company has to consider, if its reputation is strong enough to beat the competitors who offer the same product. (Porter 1984, 70.)

#### 2.5.4 Marketing methods

After an entrepreneur has figured out the target customers of the company, it should be considered, what the best way to reach the customers is. The marketing is not only about advertising, but also visibility and good customer service. When starting a business, the marketing should be visible, and it requires a lot of money (Raatikainen 2011, 95). If a company owner has not got experience in marketing, it is worth considering whether to hire a professional to help in the process. It can be considered, whether a company should create different marketing strategies for B2C and B2B marketing (Tikkanen 2005, 17).

Already before the company is opened, the marketing process should be started with, for example, posters, a webpage, advertising in newspapers, flyers, and so on. The outdoor visibility is important, especially near the area company is located. A webpage can be found with search engines; it is an easy way to share information, for example, on prices and opening hours. Advertising can also be done on a radio and social media. Before opening, a company can offer discounts, and organize visitor days when it is possible to get to know to the company.

Marketing also includes the quality of a service process. The staff member should be professional, the premises should be clean, and all the business processes should be fluent (Raatikainen 2011, 95). As mentioned, a major part of marketing is a phenomenon called a word of mouth, which means that customers share their experiences with the others, and this has a strong effect to the reputation of a company. A customer should always be appreciated, and a company should concentrate on creating long-term customer relationships. Customers can sometimes be surprised with little gifts in order to thank them for their loyalty.

A part of marketing is also visiting cards, envelopes with the logo of a company and other documents, which increases the level of visibility. The most important goal in marketing is the fact that all the potential customers are aware of the services offered by one's company, and to create an image which makes them to choose one's company instead of one of the competitors.

### 3 RESEARCH METHODOLOGY

The main purpose of the thesis is to collect the most important facts regarding an establishment of a company. This also includes analysis on competition environment; what should an entrepreneur know about its competitors within the same area? I have performed a research concerning the most popular gyms in the central area of Rovaniemi, according to my current place of residence. I used the qualitative data collection approach in order to find out basic information from the competitors. The information is gathered from the gym's own websites, and by observation three of the gyms (CMS/Santasport, Gym Everybody and Kunnon Paikka).

I made a research from the following gyms: Gym Everybody, Kunnon Paikka, Kuntokaruselli, CMS Santasport Centre, and Arctic 24/7. There are also other competitors in the area (for example, the boxing gyms), but I did not include them in the research but concentrated on the "straight" competitors. I find out the following information on the gyms: name, establishment year, price level, membership requirements and benefits, opening hours and additional services. My goal was to find out the average price level in the area, and whether there are any possibilities for gaining the competitive advantage by the "basic" operations; this information help me to answer to one of the research questions (how to create a competition advantage in gym business?). There are not gyms with certain theme in Rovaniemi, but some of the additional services of the competitors are bound to appeal to my target customers as well.

In addition to researching the company websites, I followed the newspaper Lapin Kansa for several weeks (from October to November in 2011) in order to observe whether some of the gyms advertised themselves exceptionally. However, through this method I did not find relevant information for my work. I exercise at CMS Santasport Center, and have also visited in Kunnon Paikka and Gym Everybody, so with the three gyms I use the knowledge gathered from observation as well. In observation I focused on the quality of the equipment, characteristics of customers, and the level of cleanliness.

In order to find more information, I can later do a research on customer satisfaction concerning the existing gyms; are customers satisfied with the current options, do they wish for some improvements, and is there a demand for a gym with a rock theme. To receive more information about gym business and being an entrepreneur, I could interview owners of small businesses and employees of different gyms. The mentioned information would have been useful at this point as well, but for me the most important factor was to find out the amount of the competitors and their basic operations, as well as observe atmosphere differences of the gyms.

Another purpose of the chapter 4 is to answer the first research question: what are the main phases of establishment of a gym? The second chapter introduced general information on starting a new business, but the next chapter observes it from a gym owner's point of view. I have a strong vision about the gym, which is why I try to combine the vision with the practical matters. The information on the establishment process is gathered from books and websites.



## 4 BUSINESS OPERATIONS OF THE ROBO GYM

### 4.1 Business plan for RoBo

#### 4.1.1 Description and a business idea

As mentioned earlier, it is common that the main motivators of starting a company are the company owner's own skills and interests. In my case, these motives are based on both educational reasons, as well as my own interests. By the end of 2014, I will have bachelor's degrees from international business and sport and leisure management (including education on fitness boxing and gym workout), about a ten-year experience from coaching a volleyball team, experience from being on athlete myself, and so on. In addition, I am planning to specialise in coaching, including personal training, as I wish I could help individual people to find the joy of exercising.

The demand for gyms is constant and increasing, as people are more and more conscious about their welfare and the possibilities gyms offer to them. It is a given that the increase in the amount of gyms is not constant, but the competition from the customers will increase with every new gym. One or two decades ago, gym exercising was considered as an athletes' and bodybuilders' thing, but these prejudices have diminished. I still believe that my main motive to start a business is not market-based, but the competition situation affects the timing of establishing the gym.

As there are both private gyms and several gym chains in the markets, it probably is not the best option to create a gym for everybody, after all. My goal is not to categorise customers by their physical condition, but according to their personalities, interests and lifestyles. I would like my gym to have a relaxed atmosphere. I also want to take the advantage from my background in martial arts; I have been practising thaiboxing for several years, and before that, I trained fitness boxing and kickboxing for a while. And, after I will be graduated

from Rovaniemi University of Applied Sciences, I am supposed to be able to work as a personal trainer. When I combined these three aspects, I have ended up with the following plan (Raatikainen 2010, 62 and Holopainen 2003, 31).

❖ **The need/benefit for the customer**

- A possibility to exercise with like-minded people

❖ **Image**

- Relaxed
- Inspired by rock music and martial arts
- Basic equipment

❖ **Customers**

- From 18 to 50 at age
- interested in rock music and martial arts

❖ **Services**

- gym
- locker rooms, saunas
- a small boxing gym
- personal training
- reception desk

## ❖ Operations

- marketing:
  - ◆ private consumers, clubs, companies within the area
- product development:
  - ◆ replacing equipment; offer additional services
- premises:
  - ◆ rented; located in the centre area of Rovaniemi
- logistics:
  - ◆ equipment with a leasing contract, boxing bags etc. will be bought
- staff:
  - ◆ 2-3 full-time employees, part-time employees if necessary
- management:
  - ◆ one founder; 'everyone does everything'
- accounting:
  - ◆ will be done by ourselves; audit is outsourced

My goal is to create a gym, which is a combination of a boxing gym and a regular gym. Instead of latest dance chart hits, there would be rock music played at the gym. The rock theme is supposed to be reflected to the decor as well: there could be posters of bands on the wall, and the walls do not have to be white. Despite the fact that the atmosphere is homey, the level cleanliness

and the quality of equipment is high. Even though there are only few employees, customers have a possibility of individual instruction and personal training. The boxing gym is meant for individual training, but there is a possibility of instructed group exercising or sparring as well, as long as the safety of customers can be assured (for example, with their own experience on martial arts or an instructor).

#### 4.1.2 Starting point and goal analysis

Before starting a business, an entrepreneur should define a purpose and goal of the company, and which are the factors that help or prevent him to achieve these goals. At the same time with this analysis, it can be considered, which are the entrepreneurs' own strengths and weaknesses; what operations he is able to do himself, and in which he might need help. The SWOT-analysis for Robo gym is introduced in figure 2.

Purely, to run an own business is a major goal for me. It would be great to earn living from my long-time hobby and interest, and make the entrepreneurship a part of my lifestyle. Currently, I do not find it important, whether the business extends or not (for example, whether another gym with the same concept would be opened in another city). A measurement of success would be a possibility to hire more employees (for extra services; a massage etc.) or to outsource some parts of the business; cleaning, accounting and so on.

### SWOT analysis for RoBo

<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>+ educational background of the owner</li> <li>+ commitment, possibility to do work full-time in every sector of the business</li> <li>+ contacts and network</li> <li>+ interest towards the business</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- lack of experience</li> <li>- commitment level of other employees?</li> <li>- lack of money -&gt;pressure to make the business work fast</li> <li>- mistakes in calculations and other estimations</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>+ new idea for an 'old' business</li> <li>+ to become a long-term business, if enough loyal customers</li> <li>+ add more equipment, increase the quality of them</li> <li>+ add more services (f.ex. massage)</li> <li>+ outsource parts of the business (cleaning etc.)</li> <li>+ gym exercising is suitable for everyone</li> <li>+ co-operation with local businesses (companies as customers)</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>- a lot of competitors</li> <li>- the business idea may be copied</li> <li>- the theme limits some types of customers -&gt; the customer base is too small; the location may be wrong</li> <li>- marketing process fails</li> <li>- the amount of other activities within the chosen location (a gym is not trendy enough)</li> <li>- trends may change: a gym may be out of fashion in the future</li> </ul>

Figure 2. SWOT-analysis for RoBo

As mentioned, one of my biggest weaknesses is the lack of money. An establishment of a gym requires a large amount of capital. The purpose is not to buy everything, but rent the premises, and try to find most of the equipment through leasing contracts. Marketing process requires money, and the employees' salaries have to be paid even if a company is not making profit in the beginning. The amount of fixed costs (rent, salaries and so on) should be calculated already before applying for loans and finding investors, as these quarters are usually interested in, when they will receive their investment back. When creating a business plan, the budget should be included (Raatikainen 2011, 138). If it seems impossible to make profit, a company may not be worth establishing.

#### 4.1.3 Characteristics of the entrepreneur

The chapter 2.2.4 discusses the essential characteristics of an entrepreneur. In this chapter the discussion continues, but the characteristics introduced are the ones, which I would use to describe my own strengths as an entrepreneur.

The first adjective with which I would describe entrepreneurs, is *independent*. On the other hand, what an entrepreneur cannot be, is comfort-loving and to be afraid of changes. Most of the characteristics connected to entrepreneurs are quite powerful, but positive. As Raatikainen mentions (2011, 20), the positive adjectives "describe well the world of requirements in which an entrepreneur is working in". I assume that Raatikainen means that if a business owner constantly worries about everything that may go wrong, and what happens if he or she fails, it is impossible to concentrate on working hard and developing the business.

In general, I believe that some people are naturally more suitable for entrepreneurs than others. It is given that one does not have to be a full-time entrepreneur, which means that he or she can manage without certain

qualifications. For example, a 35-year-old engineer may work as a part-time masseur; he may have an own business name, but for him running a business is more of a hobby than work. In his case, being an entrepreneur does not require strong ambition towards the company, or 15-hour working days.

Despite the fact that some characteristics are inborn, it is possible to grow and develop as a person. Work experience, or simply, getting older, is likely to make one more responsible and conscious on oneself. An unfortunate incident in life may give someone perspective on what is really important; if one used to stress out easily, after the incident one may be able to make more reasonable decisions.

As I have told people about my plans to become an entrepreneur, all I have received is positive feedback. Especially, those who know my passion towards sports were not surprised at all. I have always been independent, deliberate, social and creative. Also, I rather am the leader myself than work for someone else. Below, there are some of the characteristics, with justifications, I find essential to be able to run an own company:

**Stress-tolerating:** In business, changes are constant, and a business owner has to react them as quickly as possible; also, an entrepreneur has to be able to control several operations at the same time without getting stressed out.

**Initiative:** An entrepreneur should be constantly aware of every function of his/her business, as he or she has to be ahead of the competitors and 'fix problems before customers find them'; also, an entrepreneur can never assume that someone else would do the work for them.

**Hard-working:** Especially during the establishment phase, eight hours per day is hardly enough in order to achieve the required results; unexpected incidents are always possible, and they have to be solved immediately.

**Curious:** An entrepreneur should always find out ways to improve the level of service, or at least to be aware of the possibilities. Technology is constantly



developing; in welfare sector, this includes new equipment, new trends, and new researches on what is healthy and what is not.

## 4.2 Establishment

### 4.2.1 Choosing of the company form

In chapter 2.3.1 the different company forms are briefly introduced. The fact that I would establish a company more or less on my own limits the number of suitable options; for example, a limited company and cooperative are out of question, especially due to my lack of capital. However, as I am not able to run the whole business by myself, a sole trader is not a suitable form for me. The options left are general partnership and limited partnership.

The difference between the two forms is that there are at least two partners in response in general partnership, whereas in limited partnership only one responsible partner is required; another one can be so-called silent partner. In limited partnership, the responsibilities are shared according to the position in the company, and a silent partner cannot lose more money than he has invested. As I currently do not own a potential business partner, who would be willing to share the whole responsibility with me, the most suitable option for my company would be limited partnership. Practically this still means that I will have to find a partner, but it may be easier as I would be in charge of all liabilities. The amount of silent partners can also be bigger than one.

In the future, when the establishment of the gym is really current, I will reconsider the business form. I guess the options will still be limited to general and limited partnership, but in case I have found a potential partner, general partnership can also be a good option.

### 4.2.2 Recruitment

Many of my friends do not go to gym. For few of them, the reason is simple: they prefer other sports to gym training. The most common reason is, however, the fact that they do not know, how to exercise at a gym. They do not know if

there is anybody to ask for help at the gym, and they do not want to disturb the other customers. The fear of being confused and stared at makes them choose another option to do sports, or not to do them at all. Also, I have heard several discussions in locker rooms concerning the professional skills of group exercise instructors instead of the actual training session.

Considering the mentioned experiences, I strongly assume that the importance of suitable employees should never be underestimated. What I mean by 'suitable' is the kind of professionals, who understand the business idea of the company they are working for and represent it as a person. Practically, someone may be exceptionally talented instructor at a gym which is oriented for young and trendy customers, but would not match with rock music or self-defence classes. The right type of employees is essential in creating the relaxed, but still professional, atmosphere.

In the beginning, I wish I can do most of the work myself, or at least, be part of everything that happens within the company; this includes every operation from accounting to sharing gym equipment advices. For me, to be part of every operation is a possibility to observe the business; which parts are working well, and is there something that could be done in a more effective way. As mentioned earlier, I am not able to run the whole company by myself, so I have to think about the recruitment.

Every member of the staff has to be able to offer first aid in case of an emergency. There has to be a first aid kit available, and it has to be assured that everyone knows its location and how to use it. The gym is not responsible for the accidents caused by misuse of equipment or customers' carelessness, but it offers help and advice for small injuries. The staff members, including myself, have to check the condition of equipment on regular basis, and get them repaired if necessary. All the members of the staff also take part in cleaning the gym, at least in the beginning; clean floors and equipment not only increase the safety level, but also make the gym more hygienic and comfortable to exercise in.

#### 4.2.3 Business operations

After the establishment phase, it is vital that there are not problems in business operations. The most essential question for me is the accounting and bookkeeping. Even though the budget would have been created in the planning phase and the investors have been found, there are a lot of financial issues to be considered.

Due to my education background, I will hopefully manage from the most operations, but it still may be a good option to hire external help to financial issues. An optimal situation would be if I found a business partner, who is capable of working both in economical task, as well as customer service. In this case the responsibilities could be shared, and work tasks would be multidimensional for both.

As I do not own know-how regarding fixing gym equipment, I need to have a person to contact in case of problems. Sometimes a leasing contract includes the maintenance of the equipment; this has to be solved before opening the gym. Obviously, the price level of the equipment should be compared and to pay attention to interests of leasing contracts.

A purpose is to sell coffee and small snacks (for example, recovery drinks) at the reception. Even though it will be a small part of business, a good supplier for these products should be found, and the staff members should be familiar with the products to be able to recommend some of them to customers. Cleaning of the gym can be taken care of by the staff.

### 4.3 Risk analysis

The most common types of risks are introduced in the chapter 2.4. As mentioned, the most important type to avoid is personnel risks. The safety of the employees and customers has to take priority, as they are usually hard to replace. Even the small accidents may be harmful for the reputation of the gym, which is also a good reason to try to prevent them.

In order to prevent the accidents due to carelessness, staff member should be well trained for their tasks. They should offer advice for the customers who can hurt themselves; at the gym, a customer can use the equipment wrong, so if it is possible, he should be advised. All the staff members should be able to offer first aid, to know how to take care of the equipment, and to know how to act in case of emergencies. Also, the premises should be clean in order to improve the level of safety (for example, a slippery floor may be a risk) and avoid sicknesses.

As the company will be small, the level of economic risks is also high. If the amount of competitors increases, or there will be similar gyms to the markets, it may be harmful for my company. Also, if there are sudden changes in our expenses (for example, the rent of premises becomes higher), there has to be some cuttings in our budget in order to balance the finance again. There can also be sabotage or problems with the gym equipment which require professional service, and so, require extra money. All the economic losses cannot be prevented with planning, as there may be an economic depression, and consumers have to make choices on their property.

## 4.4 Marketing

### 4.4.1 Customer analysis

There is a major advantage for me, a new entrepreneur, in starting a gym; theoretically, everybody (living in the same area) is my potential customer. Training at a gym is suitable for everyone, no matter if you are a professional athlete or a 65-year-old grandmother, or if you suffer from an injury. The challenge is to offer a safe environment and professional advice to all the customers, while making the company profitable. According to my observations and experiences, most of the gyms (especially gym chains) are suitable for many types of customers; it is not necessarily a disadvantage, but I myself would rather train at a smaller gym with people who have similarities with me.

Presumably, I would open the gym in the centre of Rovaniemi. In 2010, there were 23 856 citizens at the age between 20 and 49 years living in the city, and during the same year there were 5000 students from other cities living in Rovaniemi. Also, 31 249 citizens aged from 20 to 64 years lived in the city centre area in 2008. (City of Rovaniemi). So, even though there are several operating gyms and other competitors in the area, there are also a lot of potential customers left.

As already briefly mentioned in chapter 4.1.1., a typical customer of the RoBo is from 18 to 50 years old, enjoys listening rock music and is possibly interested in martial arts. He or she is most likely to live in the city centre, or work there. A part of customer base will probably consist from students, but as there are several cheaper options for them to do their exercise, many a customer will probably go to work. Those citizens, whose workplace is located next to the gym, can be reached via posters, flyers and other outdoor advertising. Straight co-operation with other companies may not be the best option (unless the other company is a music bar or a boxing gym), as the image of the RoBo gym may be destroyed if the customer base is too diverse.

Tikkanen (2005, 101) suggests that companies should perform customer segmentation in order to make their target group more clear. Practically this means considering, what type of consumers would benefit the most from our know-how. In my opinion, a relaxed atmosphere of the gym can appeal to people, who are not yet members of any gym, but would like to begin exercising. If the other customers share the same interests with a new customer, he may not feel that uncomfortable when joining the gym.

Those who regularly practise martial arts, will not probably join the gym to practise them there; although, they may need some additional training. Co-operation with local boxing clubs is a possibility for RoBo to increase their customer base. The customers of RoBo may also become interested in martial arts and join a boxing club, which may be a threat for the company. However, the customers will be encouraged to continue practising at the gym. Perhaps, there is a possibility of creating a membership card, with which a customer can practise at RoBo gym and a local boxing club.

#### 4.4.2 Competitor analysis in Rovaniemi area

Holopainen has mentioned (2003, 23) that the only competitors of a company are not the companies offering the same service, but also the ones who offer a service that satisfies the same customer need as it. Basically, when establishing a gym, all the companies and organizations which offer sports and welfare services should be considered as competitors. These organizations can, for example, be local football teams, swimming halls, yoga studios and so on. Even though they would not offer a possibility for gym workout, some consumers rather exercise by doing something else. There is a challenge for a gym entrepreneur: how to make consumers interested in using services offered by one's gym?

In the following table (table 2), there are five popular gyms in Rovaniemi area listed. The table includes the information on opening hours, membership requirements, prices and additional services.

*Table 2. Comparison of gyms in Rovaniemi area (source: websites of the gyms)*

<b>Name</b>	<b>Prices (e) Per visit/ Per month</b>	<b>Membership required</b>	<b>Group exercise lessons</b>	<b>Open</b>	<b>Additional services</b>
Arctic 24/7	10 43-45	No	No	24/7	Student discounts  Relaxed atmosphere
CMS/Santasport	According to agreement	Yes / according to agreement	Yes	Mon- Fri 6.30- 21.30  Sat- Sun 7.00- 21.30	Free shifts for students  Services of the sport institute



<b>Name</b>	<b>Prices(e)</b> <b>Per visit/</b> <b>Per month</b>	<b>Membership required</b>	<b>Group exercise lessons</b>	<b>Open</b>	<b>Additional services</b>
Gym Everybody	5/8 36/44	No	Yes	6-24	Pole dance  Own gym for women  Body building
Kunnon Paikka	6/8 50/60	No	Yes	Mon-Thur 7-22 Fri 7-21 Sat 9-19 Sun 12-22	Physiotherapy “2 euro days”; a visit to gym or group exercise cost two euros on special days
Kunto karuselli	5-8 45-65	No	Yes	Mon-Fri 6-22 Sat-Sun 8-21 (Sunday only for VIP members)	Child care  Located in a shopping centre

There are small differences in the price levels of the companies. Arctic 24/7 is the most expensive option for a one-time visitor, but it offers good discounts for students; if a customer is willing to buy a one-year membership, he only pays 33 euros per month from it (Arctic 24/7). The gym also advertises itself as a relaxed place, and is always open. These are the reasons why Arctic 24/7 would probably be a tough competitor for RoBo. The only disadvantage of the gym is the location outside the city centre.

Most gyms are open every day; an exception is Kuntokaruselli, but the members are able to exercise on Sundays as well. CMS Santasport offers free students shifts (for the students of Santasport) several times a week, which is possible to limit the willingness of the students to buy a membership elsewhere. Also, the fact that there are lot of occasional visitors at the gym (there is a hotel operating at Santasport), the prices are offered individually according to each customer group. The equipment in CMS is from good quality, the gym is large, and there is a possibility of swimming as well.

Gym Everybody is located in the city centre, and is a popular gym. There is a separate gym for women. The owner of the gym has a background in bodybuilding, which may appeal to customers interested in the sport. The level of cleanliness could be better; on the other hand, the price level is low, and the gym is a good option for those who are mostly interested in weight lifting. Majority of customers of the mixed-gym are male; it is a given that a separate women's gym has an affection on this. On the other hand, pole dance lessons are bound to appeal more female customers.

Kunnon Paikka is located near the city centre, and especially the group exercise lessons of the gym are really popular. A couple of times a year the gym organizes a "super Saturday", when a customer can try any lesson or go to the gym and pay only two euros. The staff members are joyful, and the level of customer service is good. Majority of the customer base is young, approximately from 15 to 35 year old men and women.

All the gyms listed above are good options for gym training. Except for Arctic 24/7, none of the gyms' advertise concentrates on the atmosphere, but the services. According to my experience, all of the gyms have their own, loyal customer bases; Arctic 24/7 and Gym Everybody are clearly the choices of those who are interested in the actual gym exercise, whereas Kunnon Paikka and Kuntokaruselli concentrate the group lesson exercises.

#### 4.4.3 Competitive advantage

The methods of creating a competitive advantage were discussed in the chapter 2.5.3. Basically, it is all about getting benefits from a company's strengths compared to its competitors. Theoretically, the simplest ways to achieve the advantage would be exceptionally low price level, or a unique product quality. As can be discovered from table 2, it would be hard to create a competitive advantage through price level of the services and earn profit at the same time, especially for a new gym with high level of expenditures. And due to the fact that all the gyms in Rovaniemi operate more or less on the same price level, it probably is not harmful for a new company to set their prices on the same level, as well. It is also worth noticing that there are not many chain gyms in Rovaniemi, but all the gyms under observation are independent. This may make it harder to enter to the markets with another independent gym.

Even though a competitive advantage is hard to achieve through pricing, it may be possible for me to gain an advantage in the level of expenditures. As I am (or should be) able to work in every sector of business due to my education, I do not necessarily have to hire as many staff members as someone else. The saved financial resources can be invested in better equipment, more professional staff members, or some other business functions.

Obviously, the main way RoBo tries to achieve a competitive advantage is the rock theme. Nowadays, there are a lot of ways for people to do their exercise, but I want to offer them a possibility to do the old workout with a new way. If we

find enough customers with right personality, it is easier to maintain the image. On the other hand, if the rock theme does not appeal to certain amount of customers, alternative options and marketing methods have to be considered. At the same time, the original target group may disappear from the gym. A theme is a major risk, but it may be the reason why some customers choose RoBo instead of the other gyms.

In order to find the right customers, the right market channels have to be found. These channels are introduced in the next chapter.

#### 4.4.4 Marketing methods

Before establishing the company, it should be considered, how to reach the target customers. Nowadays, the information can be spread fast through social media (for example, Facebook), but the more traditional methods are still effective, as well. In this chapter the most typical marketing channels are introduced, and the suitability for marketing a new gym is also considered.

##### Newspaper

Advertising in local newspapers will reach the residents of certain area, and newspapers usually have a trustworthy reputation (especially, the subscribed ones). On the other hand, there are a lot of adverts in newspapers, so it may be hard to stand out from all the gym adverts. Also, the RoBo gym wishes to appeal certain type of citizens; a newspaper may not be the best way to reach the rock-spirited people. Constant advertising in newspapers increases the amount of expenses, so it should be considered whether there should be some other marketing channels used in the first place.

##### Radio

Radio channels can be an effective way to inform music fans about a new gym with rock theme. For example, if we decided to start the business in Turku, some of the marketing could be done through Radio Sata (a popular rock music radio station in Turku area). Even more popular station is Radio Rock, which can be listened around Finland; although, as the RoBo only operates in one city, it is unnecessary to market it nationwide. The negative side of this marketing channel is the fact that radio adverts are easily ignored, as people tend to do other chores while listening to radio.

##### Flyers, outdoor advertising

Before opening the gym, there could be flyers and other brochures handed out on the area to the passers-by who seem to represent the target customers. The flyers could include a special offer, for example, “with this flyer two customers

on the price of one”. The brochures could also be delivered in the local pubs and bars, obviously with a permission of the owners. There should also be posters, which would be attached around the local area: shopping centres, bars, the streets and so on.

### Website

An own website is an excellent opportunity for potential customers to find out more information about the gym, for example, the prices, opening hours and additional services. On a website, we could introduce the staff members, and share information and pictures from the gym. A website is also a practical channel to inform current events and changes in opening hours (e.g. due to holidays). Customers are able to find the website with web search engines, so some of the marketing would happen without efforts.

### Other channels

As social media is nowadays a popular method to share information, it is worth consideration when a company makes decisions on its marketing methods. A company can for example create an own page to Facebook or open a Twitter account, in which it can offer special discounts for the members of their page. RoBo can also write an own blog, in which it can offer information on exercising, nutrition, and for example, have professionals to write articles on their experiences.

As mentioned earlier, the best marketing method is still to keep the existing customers satisfied; through word of mouth a company may receive a lot of attention in a short period of time, which can have either positive or negative impact to their business.

## 5 CONCLUSIONS

Establishment of a new company is a big process, which is why this thesis discussed the phases of it superficially. In my opinion, all the essential phases were introduced, and further information is always available when starting a company is more topical for me. If I wrote this thesis again, I would choose one phase of the establishment process, which I would concentrate, and maybe do an own research from it. I would also use more time in the writing process, and perhaps interview some entrepreneur in order to find out real life experiences from running a business. I am also interested in the operations which take place after the establishment phase, for example, human resource management. This is something I could include to my next thesis.

However, I believe that I found an answer to my first research question regarding the phases of the establishment process. Even though financial issues are a critical part of planning a business, I did not include them into this work; the calculations would have been only estimations, which may have differed a lot from reality. And, the exact answers and solutions to the phases were not introduced, but the factors which affect them, were discussed.

Despite the consideration, it was not a surprise that it is not simple to create a competitive advantage. A success of a company depends on many variables. On the other hand, as mentioned earlier, sometimes risks are worth taking. Even though there is a big possibility of failure, an entrepreneur may end up working with a dream business. Product differentiation can be based on small things, which make one's business differ from the others.

I mentioned in the introduction chapter that the purpose of the thesis is not to find out new information. After all, some of the information was new to me, and what is most important, the writing process helped me to understand the establishment as a whole. Right now, the idea of establishment of an own company feels realistic for me, which perhaps was the most important purpose of this work.

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